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C O N F I D E N T I A L SECTION 01 OF 03 BRUSSELS 001071

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SUBJECT: LETERME TENDERS HIS RESIGNATION - KING ALBERT HAS
NOT ACCEPTED IT AND CONSIDERS THE OPTIONS

Classified By: Classified by CDA RMEason for reasons 1.4 (b) and (d).

¶1. (SBU) SUMMARY: With no institutional solution in the offing, Prime Minister Yves Leterme (CD&V - Christian Democrat and Flemish Party) tendered his resignation to King Albert II around 2300 hours July 14. King Albert is now "taking the resignation under consideration," according to the official statement from the Royal Palace. On July 14, it became clear the majority parties would fail to reach agreement on a comprehensive institutional deal by July 15, as promised in the Leterme government policy statement of last March. The New Flemish Alliance (N-VA), CD&V's ally, was the first party to state publicly that the institutional negotiations had failed and Leterme's last-minute offer was simply not enough. The N-VA would not extend the July 15 deadline, even though some agreements had been reached on financial and social reforms. King Albert continues to talk with political and regional leaders to find the best solution for continuing governance and the reform process. Given the general success of the caretaker government status under which Belgium worked from June 2007 until March 2008, another caretaker government will not likely, in the near term, affect current policies. END SUMMARY.

¶2. (SBU) Belgian Prime Minister Yves Leterme, after months of intense negotiations for institutional reforms and more devolution of power from the federal to the regional level, simply gave up. He tendered his resignation to King Albert II at 2300 hours July 14, just hours before the politically imposed deadline of July 15. Leterme and the King conferred for four hours afterwards without any consensus on what to do next; the King has not accepted the resignation nor indicated that he will do so.

¶3. (SBU) Politicians and political observers alike anticipated Leterme in his scheduled speech before Parliament July 15 would ask for more time to reach decisions on those unresolved issues, especially the decades-old disagreement about voting in Brussels-Halle-Vilvoorde and more devolution of power to the regions. However, his coalition party partners, N-VA, and even some in his own party, would not budge from their insistence on meeting the promised deadline for agreement. Leterme's unexpected resignation came after a last-minute offer he made to involve directly the regional governments in the negotiations. However, the offer failed to obtain sufficient backing on the benches of the Flemish regional government. His resignation left everyone speculating about what will come next.

¶4. (C) During the night, the King not only talked to Leterme until reportedly 0300 hours, but also to House President Herman Van Rompuy (CD&V), as well as Jo Vandeuren (CD&V) and Didier Reynders (MR - Reform Movement), the two vice premiers in charge of institutional affairs. The King will resume his consultations later today. King Albert has four options: he can refuse the resignation; he can accept the resignation and ask Leterme to stay on as Prime Minister

until elections can be held; he can accept the resignation and name another party leader to head an interim government; or the King can delay making a decision and appoint someone to explore different options (and buy time). Reynders, though he may have future aspirations to be Prime Minister, stated on July 15 he does not want to step in at this point. If new elections are called, the law provides for a 40-day pre-election period. Politicians will not call for an election now since many Belgians are, until the end of August, taking their summer holidays. There is speculation the government could possibly hold elections concurrent with the 2009 regional elections.

¶5. (SBU) After months of continued negotiations, there were some agreements on financial/economic and social reforms and a revised budget was approved. The Francophones want immediate implementation of the recently reached socio-economic decisions. If the talks are to continue, a new (or adjusted) format will be needed for the institutional discussions. King Albert is talking to regional minister presidents; his calling the regional government leaders in is an unusual step and shows Albert's commitment to finding a viable solution to the stalemate. There has been an initial positive response from the three regional officials.

Reactions from the Various Political Parties

¶6. (U) As expected, each party has its own view of the day's developments. Leterme's party (CD&V) praised him for his efforts, and say they will continue to support him. They also declared that since the current format failed to produce

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results, new ways have to be explored for reaching an institutional deal. Leterme has suggested directly involving the regional governments in negotiations, an idea not accepted by all. Some say it is now time for a Francophone politician to bear responsibility for the institutional negotiations. Leterme's party in coalition, the New Flemish Alliance (N-VA), insisted the July 15 deadline be met, but party leaders claim the N-VA has not put pressure on the CD&V to put an end to the institutional discussions, forcing Leterme to tender his resignation. They say Leterme was right when he pointed to the limits reached by the current "federal model," and agree regional government will need to become involved in the talks, but they also claim the Francophone minority has once again managed to impose its views.

¶7. (U) The Open VLD stands by the Flemish institutional demands, but say the N-VA and FDF (Francophone Democratic Front party out of Brussels) have to tone down their institutional demands. They also say government must attend to the socio-economic needs of the public. The SP.A (Flemish Socialists) say socio-economic issues should have priority and Leterme is to blame for the institutional mess. If Leterme fails, new general elections will be inescapable

¶8. (U) On the Francophone side, MR (French Liberals) under Reynders wants socio-economic issues prioritized. They want Leterme to carry on as prime minister and add the institutional issues should be discussed without a set deadline. The French Socialists (PS) under Elio Di Rupo also say the country needs a government capable of dealing with the alarming socio-economic situation driven by rising inflation and food and fuel prices. His party is willing to continue institutional discussions and they want immediate implementation of the recently agreed socio-economic accords. The French Christian Democrats (CDH) state their party has always been willing to discuss institutional issues and that the party is willing to endorse an interim government be established for the period between now and the 2009 regional elections. They agree socio-economic issues must be prioritized.

¶9. (U) The Groen (Flemish Greens) blame Leterme, say the people are suffering economic hardship, and call for a new "Belgian Pact." The Ecolo (Francophone Greens) agree a new "Belgian Pact" is needed. They say July 15 was not a realistic deadline and fear the crisis will have a dramatic impact on the 2009 and 2010 budgets.

¶10. (U) The extreme right Flemish Party Vlaams Belang politicians say this time it is the end of the Belgian nation state (a step they have long advocated) and they think preparations should begin for a partition scheme. Lijst Dedecker, another extreme right Flemish party, calls for elections now. The FDF states Leterme is to blame and the CD&V and N-VA have to clearly state what their ultimate institutional goals are. Institutional discussions have to be held at the federal level and the rights of the Francophones living in and outside Brussels must be respected.

Background

¶11. (U) After winning the June 10, 2007 general elections, with 800,000 personal preference votes, Flemish Christian Democratic CD&V leader Yves Leterme was the man chosen to form a new government. From the outset, he and his Flemish Nationalist allies from the N-VA stated they would form a government that would set in motion a comprehensive institutional reform plan and in the process, solve the decades-old electoral redistributing dilemma of Brussels-Halle-Vilvoorde. With the Socialists having lost votes on both sides of the linguistic border, the natural choice was a Christian Democratic-Liberal coalition. However, from day one of the government formation discussions the Francophone Liberals (MR) and Christian Democrats (CDH) made it clear they had no interest in institutional matters, fearing that any accord might end the tax transfers from Flanders currently supporting the Wallonian welfare state.

¶12. (U) During the six months of painstaking negotiations from the June elections until December 2007, a Belgian record for government formation, Leterme failed to make any progress as even his own party refused to make concessions to ease his task. In the end, Leterme had no other choice but to ask the King to relieve him of his government formation mission. The King turned to outgoing Prime Minister Guy Verhofstadt, an Open VLD Flemish Liberal, to bring reconciliation and hope

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during the Christmas season. Verhofstadt put together an interim government of Christian Democrats, Liberals, and the Francophone Socialists (PS). This interim government set up a committee of wise men composed of leaders from the Christian Democratic, Liberal, Socialist and Green parties. They reached agreement on a first batch of competencies which would be devolved to the regional governments. Once this agreement was signed, Verhofstadt handed over the helm to Leterme who was sworn in March 20, 2008 as head of an asymmetric cabinet composed of the two Christian Democratic parties, the two liberal parties, and the Francophone Socialists (PS). The Flemish Socialists (SP.A) and the two Green parties declined an offer to join.

¶13. (U) The policy statement of the new government focused on socio-economic matters and contained a written promise that on July 15, 2008, the Prime Minister would make a statement on a second batch of competencies which would be devolved to the regions. When Leterme became Premier, the pundits were already placing bets on his chances of success. It took most of this time to reach an agreement on a format for the talks, and once this agreement reached, Brussels-Halle-Vilvoorde once again emerged as a stumbling block of daunting proportions. Leterme's own party and the N-VA kept repeating there could be no agreement without a solution for Brussels-Halle-Vilvoorde, but the Francophone parties, rather than showing any willingness to meet Flemish

demands, started to press for enlargement of the Brussels capital region, meaning that Flanders would have to cede territory in order to make redistricting more acceptable for the Francophone parties. As it became impossible to sort out Brussels-Halle-Vilvoorde, it no longer made sense to continue discussions on devolving competencies to the regions and the ensuing financial aspects.

¶14. (U) Having unsuccessfully spent an entire year trying to coax the Francophone parties into an institutional deal, many in the CD&V feel it is now the turn of other parties and other political leaders to try their luck. However, that switch would simply allow these institutional matters to fester until after the scheduled June 2009 regional elections. Consequently, the possibility of general elections before 2011 should no longer be discarded and some think the timing should coincide with that of the regional elections.

COMMENT

¶15. (C) Leterme became PM after a record number of days without a government. If his resignation is accepted, his 116 days will be a record for the shortest term as PM. Leterme's resignation caught everyone by surprise. Defense Minister De Crem and Foreign Minister De Gucht dined July 14 with Ambassador Fox and they were completely in the dark until De Gucht received a phone call late that evening. The Belgian Government under Leterme has made numerous commitments to work with the USG, for example, on the military side, sending F-16s to Afghanistan and staffing an Operational Mentoring and Liaison Team (OMLT) there. If there is a caretaker government, it will likely honor previously agreed to commitments. There are also agreements on economic and social reform and a revised and balanced federal budget. Given the general success of the caretaker government status under which Belgium worked from June 2007 until March 2008, another caretaker government now should not, in the near term, affect current policies. The ministers will likely remain at their posts until new elections are called and an immediate political crisis should be avoided, no matter who leads the interim government. END COMMENT.

EASON

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